

***City Of Oakland
Oakland, Iowa***

Independent Auditors' Reports

**Basic Financial Statements, Required Supplemental Information, Other
Supplemental Information and Schedule of Findings**

Year Ended June 30, 2005

Prepared By:

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A Professional Corporation
Certified Public Accountants
10842 John Galt Boulevard
Omaha, Nebraska 68137***

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CITY OF OAKLAND

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Gayle Perkins	Mayor	December 30, 2005
Cindy Freemyer	Council Member	December 30, 2005
Pat Newberg	Council Member	December 30, 2005
Debbie Rollins	Council Member	December 30, 2007
Jonathan Showalter	Council Member	December 30, 2005
Tim White	Council Member	December 30, 2007
Sabrina Johnson	City Clerk	Indefinite
Richard Merkle	City Treasurer	Appointed yearly
Richard Henninger	City Attorney	Indefinite

Laurence A. Lanphier Jr.
Steven G. Vandenberg
Lorraine M. Kolasinski

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Members
American Institute
of Certified Public
Accountants

Nebraska Society of
Certified Public
Accountants

Independent Auditors' Report

To The Honorable Mayor
and Members of The City Council
City of Oakland, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oakland, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Oakland's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oakland as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 22, 2005, on our consideration of the City of Oakland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 8 and 23 through 24 are not required parts of the basis financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oakland's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Omaha, Nebraska
September 22, 2005

LANPHIER, VANDENBERG & KOLASINSKI, PC

<p style="text-align: center;">CITY OF OAKLAND MANAGEMENT DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2005</p>

As management of the City of Oakland, Iowa we offer readers of the City financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's statements include three components: 1) cash basis government-wide financial statement 2) cash basis fund financial statements and 3) notes to the financial statements.

Government-wide financial statement: This statement consists of a Statement of Activities and Net Assets and provides information about the activities of the City as a whole and presents an overall view of the City's finances.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Local Option Tax, Volunteer Fire Department, Volunteer Ambulance Department, and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and sanitation funds, considered to be major funds of the City.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Analysis of significant changes in financial position and fund balances: The cash basis of the net assets of the City's governmental activities increased 16.6% from a year ago, increasing from \$860,817 to \$1,003,677 for a change of \$142,860 during the fiscal year ended June 30, 2005. The levy was 6.70056 for both fiscal years.

The following is the changes in the cash basis of the net assets of the City's governmental activities:

Changes in Cash Basis Net Assets of Governmental Activities			
		Year Ended June 30,	
		2005	2004
RECEIPTS			
PROGRAM RECEIPTS			
Charges for services	\$	90,932	41,365
Operating grants, contributions and restricted interest		157,093	157,261
Capital grants, contributions and restricted interest		131,050	320,142
GENERAL RECEIPTS			
Property tax		307,702	312,504
Local option sales tax		144,494	145,618
Grants and contributions not restricted		0	0
Unrestricted interest on investments		26,437	21,051
Loan proceeds		67,000	0
Miscellaneous		98,942	67,694
Transfers		0	(15,255)
TOTAL RECEIPTS	\$	<u>1,023,650</u>	<u>1,050,380</u>
DISBURSEMENTS			
Public safety	\$	224,351	93,077
Public works		142,948	143,553
Culture and recreation		141,399	167,362
Community and economic development		18,943	0
General government		107,620	106,769
Debt service		117,296	87,848
Capital projects		128,233	410,356
TOTAL DISBURSEMENTS	\$	<u>880,790</u>	<u>1,008,965</u>
CHANGE IN CASH BASIS NET ASSETS	\$	142,860	41,415
CASH BASIS NET ASSETS BEGINNING OF YEAR	\$	860,817	819,402
CASH BASIS NET ASSETS END OF YEAR	\$	<u>1,003,677</u>	<u>860,817</u>

The cash basis of the net assets of the City's business type activities increased approximately \$116,625 during the fiscal year ended June 30, 2005. Compared to the prior year, the business type cash basis of the net assets decreased about \$149,665, most of which was due to work on capital projects. The following is the changes in the cash basis of the net assets of the City's business type activities:

Changes in Cash Basis Net Assets of Business Type Activities			
		Year Ended June 30,	
		2005	2004
RECEIPTS			
PROGRAM RECEIPTS			
Charges for services	\$	433,897	434,573
Water		44,966	36,866
Sewer		123,492	109,455
Garbage			
GENERAL RECEIPTS			
Unrestricted interest on investments		10,200	13,216
Miscellaneous		75,724	42,064
Transfers		0	15,255
TOTAL RECEIPTS	\$	<u>688,279</u>	<u>651,429</u>
DISBURSEMENTS			
Water	\$	422,323	572,029
Sewer		33,085	32,976
Garbage		116,246	136,089
TOTAL DISBURSEMENTS	\$	<u>571,654</u>	<u>741,094</u>
CHANGE IN CASH BASIS NET ASSETS	\$	116,625	(149,665)
CASH BASIS NET ASSETS BEGINNING OF YEAR	\$	215,236	364,901
CASH BASIS NET ASSETS END OF YEAR	\$	<u>331,861</u>	<u>215,236</u>

Analysis between actual and budget amounts: The most significant budget/actual difference occurred in the Public Safety function and Debt Service function, where items were incorrectly budgeted. This is due to the fact that the component units were not included in the budget and the debt service payments were not included in the budget for the correct programs.

Debt Administration: At June 30, 2005, the City had approximately \$691,999 in notes and other long-term debt, compared to approximately \$761,539 last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2005	2004
General Obligation Notes	367,749	393,590
Revenue Bonds	324,250	365,250
Lease Purchase Agreement	0	2,699
	<u>691,999</u>	<u>761,539</u>

Debt decreased as a result of lease purchase agreement being fulfilled as well as normal yearly payments.

Future financial statement impact: In 2005, the City approved the development within the City's Urban renewal area. This will have a large impact on the Road Use Fund as well as the Tax Increment Financing Fund.

Requests for information: Requests for additional information can be made to the Oakland City Clerk, Sabrina Johnson, at 101 N. Main, PO Box 396, Oakland, IA 51560.

CITY OF OAKLAND
STATEMENT OF ACTIVITIES AND NET ASSETS
CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

Exhibit A

		Program Receipts		Net (Disbursements) Receipts and Change in Cash Basis Net Assets				
	Disbursements	Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total	
FUNCTIONS/PROGRAMS								
GOVERNMENTAL ACTIVITIES								
Public safety	\$	224,351	89,926	6,171	0	(128,254)	0	(128,254)
Public works		142,948	0	123,638	0	(19,310)	0	(19,310)
Culture and recreation		141,399	1,006	27,284	0	(113,109)	0	(113,109)
Community and economic development		18,943	0	0	0	(18,943)	0	(18,943)
General government		107,620	0	0	0	(107,620)	0	(107,620)
Debt service		117,296	0	0	0	(117,296)	0	(117,296)
Capital projects		128,233	0	0	131,050	2,817	0	2,817
TOTAL GOVERNMENTAL ACTIVITIES	\$	880,790	90,932	157,093	131,050	(501,715)	0	(501,715)
BUSINESS TYPE ACTIVITIES								
Water	\$	422,323	433,897	0	0	0	11,574	11,574
Sewer		33,085	44,966	0	0	0	11,881	11,881
Sanitation		116,246	123,492	0	0	0	7,246	7,246
TOTAL BUSINESS TYPE ACTIVITIES	\$	571,654	602,355	0	0	0	30,701	30,701
TOTAL	\$	1,452,444	693,287	157,093	131,050	(501,715)	30,701	(471,014)
GENERAL RECEIPTS								
Property tax levied for								
General purposes	\$				157,113	0		157,113
Tax incremental financing					150,589	0		150,589
Debt service					0	0		0
Local option sales tax					144,494	0		144,494
Grants and contributions not restricted					0	0		0
Unrestricted interest on investments					26,437	10,200		36,637
Loan proceeds					67,000	0		67,000
Miscellaneous					98,942	75,724		174,666
Transfers					0	0		0
TOTAL GENERAL RECEIPTS AND TRANSFERS	\$				644,575	85,924		730,499
CHANGE IN CASH BASIS NET ASSETS	\$				142,860	116,625		259,485
CASH BASIS NET ASSETS BEGINNING OF YEAR	\$				860,817	215,236		1,076,053
CASH BASIS NET ASSETS END OF YEAR	\$				1,003,677	331,861		1,335,538
CASH BASIS NET ASSETS								
RESTRICTED								
Streets	\$				305,872	0		305,872
Urban renewal purposes					242,929	0		242,929
Debt service					0	0		0
Volunteer fire department					17,248	0		17,248
Volunteer ambulance department					24,443	0		24,443
Library					255,782	0		255,782
Reserves					0	44,656		44,656
UNRESTRICTED					157,403	287,205		444,608
TOTAL CASH BASIS NET ASSETS	\$				1,003,677	331,861		1,335,538

See Notes to Financial Statements

CITY OF OAKLAND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS AND DISCREETLY PRESENTED COMPONENT UNIT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

Exhibit B

	GENERAL	ROAD USE FUND	SPECIAL REVENUE LOCAL OPTION TAX	URBAN RENEWAL TAX INCREMENT	VOLUNTEER AMBULANCE DEPT	DEBT SERVICE	CAPITAL PROJECT CHAUTAUQUA PARK II GRANT	NONMAJOR FUNDS	TOTAL PRIMARY GOVERNMENT (MEMORANDUM ONLY)	COMPONENT UNIT LIBRARY	TOTAL REPORTING ENTITY (MEMORANDUM ONLY)
RECEIPTS											
Property tax	\$ 157,113	0	0	0	0	0	0	0	157,113	0	157,113
Tax increment financing collections	0	0	0	150,589	0	0	0	0	150,589	0	150,589
Other city tax	2,910	0	144,494	0	0	0	0	0	147,404	0	147,404
Licenses and permits	4,473	0	0	0	0	0	0	0	4,473	0	4,473
Use of money and property	20,840	0	0	0	562	0	0	73	21,475	4,962	26,437
Intergovernmental	3,153	123,638	0	0	950	0	15,000	0	142,741	14,573	157,314
Charges for services	31,755	0	0	0	55,932	0	0	2,239	89,926	1,006	90,932
Miscellaneous	48,422	2,817	0	0	7,059	0	99,793	47,227	205,318	17,070	222,388
TOTAL RECEIPTS	\$ 268,666	126,455	144,494	150,589	64,503	0	114,793	49,539	919,039	37,611	956,650
DISBURSEMENTS											
Operating											
Public safety	\$ 67,043	0	0	0	134,036	0	0	23,272	224,351	0	224,351
Public works	0	142,948	0	0	0	0	0	0	142,948	0	142,948
Culture and recreation	104,213	0	0	0	0	0	0	0	104,213	37,186	141,399
Community and economic development	0	0	0	18,943	0	0	0	0	18,943	0	18,943
General government	107,620	0	0	0	0	0	0	0	107,620	0	107,620
Debt service	0	0	0	0	0	117,296	0	0	117,296	0	117,296
Capital projects	0	0	0	0	0	0	100,168	28,065	128,233	0	128,233
TOTAL DISBURSEMENTS	\$ 278,876	142,948	0	18,943	134,036	117,296	100,168	51,337	843,604	37,186	880,790
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	\$ (10,210)	(16,493)	144,494	131,646	(69,533)	(117,296)	14,625	(1,798)	75,435	425	75,860
OTHER FINANCING SOURCES (USES)											
Loan proceeds	\$ 0	0	0	0	67,000	0	0	0	67,000	0	67,000
Operating transfers in	74,486	72,247	0	0	0	117,296	12,467	12,091	288,587	0	288,587
Operating transfers out	(52,769)	0	(144,494)	(56,468)	(34,483)	0	0	(373)	(288,587)	0	(288,587)
TOTAL OTHER FINANCING SOURCES (USES)	\$ 21,717	72,247	(144,494)	(56,468)	32,517	117,296	12,467	11,718	67,000	0	67,000
NET CHANGE IN CASH BALANCES	\$ 11,507	55,754	0	75,178	(37,016)	0	27,092	9,920	142,435	425	142,860
CASH BALANCE BEGINNING OF YEAR	\$ 145,896	250,118	0	167,750	61,460	0	(27,092)	7,328	605,460	255,357	860,817
CASH BALANCE END OF YEAR	\$ 157,403	305,872	0	242,928	24,444	0	0	17,248	747,895	255,782	1,003,677
CASH BASIS FUND BALANCES											
RESERVED											
Debt service	\$ 0	0	0	0	0	0	0	0	0	0	0
UNRESERVED											
General fund	\$ 157,403	0	0	0	0	0	0	0	157,403	0	157,403
Special revenue funds	0	305,872	0	242,928	24,444	0	0	17,248	590,492	255,782	846,274
Capital projects fund	0	0	0	0	0	0	0	0	0	0	0
TOTAL CASH BASIS FUND BALANCES	\$ 157,403	305,872	0	242,928	24,444	0	0	17,248	747,895	255,782	1,003,677

See Notes to Financial Statements

CITY OF OAKLAND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

Exhibit C

ENTERPRISE FUNDS				
	WATER	SEWER	SANITATION	TOTAL
OPERATING RECEIPTS				
Use of money and property	\$ 10,200	0	0	10,200
Charges for services	433,897	44,966	123,492	602,355
Miscellaneous	69,631	1,358	4,735	75,724
TOTAL OPERATING RECEIPTS	\$ 513,728	46,324	128,227	688,279
OPERATING DISBURSEMENTS				
Business type activities	\$ 362,073	33,085	116,246	511,404
TOTAL OPERATING DISBURSEMENTS	\$ 362,073	33,085	116,246	511,404
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	\$ 151,655	13,239	11,981	176,875
NON OPERATING RECEIPTS (DISBURSEMENTS)				
Debt service	\$ (60,250)	0	0	(60,250)
TOTAL NON OPERATING RECEIPTS	\$ (60,250)	0	0	(60,250)
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	\$ 91,405	13,239	11,981	116,625
OPERATING TRANSFERS IN (OUT)	\$ 0	0	0	0
NET CHANGE IN CASH BALANCES	\$ 91,405	13,239	11,981	116,625
CASH BALANCE BEGINNING OF YEAR	\$ 210,140	5,096	0	215,236
CASH BALANCE END OF YEAR	\$ 301,545	18,335	11,981	331,861
CASH BASIS FUND BALANCES				
Reserved	\$ 44,656	0	0	44,656
Unreserved	256,889	18,335	11,981	287,205
TOTAL CASH BASIS FUND BALANCES	\$ 301,545	18,335	11,981	331,861

See Notes to Financial Statements

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 1 Summary Of Significant Accounting Policies

The City of Oakland is a political subdivision of the State of Iowa located in Pottawattamie County. It was first incorporated in 1882 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and garbage utilities for its citizens.

Reporting Entity

For financial reporting purposes, City Of Oakland has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing board, and (1) the ability of the City to impose its will on that organization, or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Oakland (the primary government) and its component units. The component units discussed below have been included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

In conformity with accounting principles generally accepted in the United States of America, the financial statements of the component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units

The City of Oakland Volunteer Fire and Ambulance Departments, entities legally separate from the City, are governed by a Board elected within the departments. For financial statement purposes, the Volunteer Fire and Ambulance Departments are reported as if they were part of the City's operations because their purpose is to supply emergency fire and rescue services to the citizens of and surrounding areas and the City is accountable for certain financial responsibilities of the Departments.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Discretely Presented Component Unit

The Eckels Memorial Library is presented in a separate column to emphasize that it is legally separate from the City but is financially accountable to the City. The library is governed by a board approved by the City Council. The library's operating budget is also subject to approval by the City Council. The library was recorded as a blended component unit in years prior to 1999.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following associations: Southwest Iowa Clerks Association, Iowa League of Cities, Iowa Municipal Financial Officers Association, Iowa Rural Water Association, Iowa Associations of Municipal Utilities, MAPA, Southwest Iowa Planning Council, Western Iowa Development Association, International Municipal Clerks Institute, Chamber of Commerce.

Basis of Presentation

Government-wide Financial Statements

The Statement of Activities and Net Assets reports information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, service or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead of general receipts.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid through other funds.

Special Revenue

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Tax Fund is used to account for the local option sales tax received.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Volunteer Ambulance Department Fund is used to account for the independent activities of the blended component unit.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation long-term debt.

Capital Projects

The Chautauqua Park II Grant Funds are utilized to account for the resources used in the phases of construction of park facilities, which included reclaiming wetlands, construction of a sports complex made up of a soccer field, baseball diamond, softball diamond, concession stand, trails, parking and lighting.

The City reports the following major proprietary funds:

The Water Fund is utilized to finance and account for the acquisition, operation, and maintenance of the City's water system that is supported by user charges.

The Sewer Fund is utilized to finance and account for the acquisition, operation, and maintenance of the City's sewer system that is supported by user charges.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

The Sanitation Fund is utilized to finance and account for the acquisition, operation, and maintenance of the City's sanitation service that is supported by user charges.

The City also reports the following additional non-major funds:

Special Revenue

The Volunteer Fire Department is used to account for the independent activities of the blended component unit.

Capital Projects

The Chautauqua Park I Grant Funds are utilized to account for the resources used in the phases of construction of park facilities, which included reclaiming wetlands, construction of a sports complex made up of a soccer field, baseball diamond, softball diamond, concession stand, trails, parking and lighting.

The Signage Fund is utilized to account for all resources used in the construction of city entrance signs.

Measurement Focus and Basis of Accounting

The City of Oakland maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, and debt service functions.

Total (Memorandum Only)

The total columns on the statement of cash receipts, disbursements and changes in cash balances are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with generally accepted accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 2 Deposits and Investments

The City's deposits at June 30, 2005, were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

The City invested solely in certificates of deposit during the current fiscal year. The City had seven certificates of deposit that are held at two different institutions in both the City's name and its component units for a total of \$530,225 at June 30, 2005.

NOTE 3 Notes Payable

Annual debt service requirements to maturity for the City's general obligation notes, urban renewal tax increment financing revenue notes, and revenue notes are as follows:

Year Ended June 30,	General		Urban Renewal		Water		Total	
	Obligation Notes		General Oblig Notes		Revenue Notes			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 22,662	4,372	45,000	14,472	0	16,213	67,662	35,057
2007	22,450	4,585	45,000	12,193	14,250	16,213	81,700	32,991
2008	23,958	3,077	45,000	9,872	25,000	15,500	93,958	28,449
2009	13,984	1,465	55,000	7,530	30,000	14,250	98,984	23,245
2010	8,365	458	55,000	4,633	30,000	12,750	93,365	17,841
2011-2015	1,330	12	30,000	2,536	185,000	38,500	216,330	41,048
2016-2020	0	0	0	0	40,000	2,000	40,000	2,000
Total	\$ 92,749	13,969	275,000	51,236	324,250	115,425	691,999	180,630

The Code of Iowa requires that principal and interest on general obligation notes be paid from the Debt Service Fund. However, during the year, \$2,699 of lease payments were paid from the Enterprise Fund, Water Operations.

The urban renewal tax increment financing general obligation notes were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The notes are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing general obligation notes shall be expended only for purposes which are consistent with the plans of the City's urban renewal area.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

The resolutions providing for the issuance of the water revenue notes include the following provisions:

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to a water note sinking account for the purpose of making the note principal and interest payments when due.
- c. Additional monthly transfers to a water reserve account shall be made until a minimum balance of \$41,640 has been accumulated. This account is restricted for the purpose of paying for any additional improvements, extensions, or repairs to the system.

NOTE 4 Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$10,458, \$10,036., and \$10,566, respectively, equal to the required contributions for the year. Covered payroll was \$184,984 and the total payroll was \$218,683 for the current fiscal year.

NOTE 5 Compensated Absences

City employees accumulate a limited amount of earned but unused vacation for subsequent use or payment upon termination, retirement or death and sick leave hours for subsequent use during employment. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2005, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 11,185.
Sick leave	<u>3,162.</u>
	\$ <u>14,347.</u>

This liability has been computed based on rates of pay as of June 30, 2005.

NOTE 6 Property Taxes

Property taxes become an enforceable lien on property when they are certified to the County Board of Supervisors on or before March 15. Taxes are payable on September 30 and March 31, payment later than this results in a penalty. The County bills and collects property taxes and remits them to the City monthly.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 7 Operating Transfers

The following operating transfers were made to move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources: \$28,211 from the General – Fire to Debt Service; \$10,051 from General to Capital Project - Chautauqua Park Phase I, \$12,467 from General to Capital Project – Chautauqua Park Phase II, \$2,040 from General to Capital Project – Signage Fund, \$56,468 from Special Revenue – Urban Renewal Tax Increment to Debt Service, \$32,618 from General – Ambulance to Debt Service.

NOTE 8 Library Construction and Contingency

On April 7, 1997, the City entered into a gift agreement for an addition to the City Library. The donor paid the construction costs up to \$100,000. The agreement contains a covenant requiring the City to allow a genealogy group to occupy and use a portion of the building for fifty years with a right to renewal for an additional fifty years. Breach of the covenant would require the City to pay over \$100,000 to an educational trust.

NOTE 9 Related Party Transactions

The City had no business transactions between the City and City officials during the year ended June 30, 2005.

NOTE 10 Risk Management

The City of Oakland is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 509 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claim expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if sufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2005 were \$39,208.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claim exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all liability claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries workmens' compensation insurance purchased from EMC Insurance Companies. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 11 Urban Renewal

On May 11, 1998, the City established the Oakland Urban Renewal Area. The objective of the plan is to encourage residential development in this urban renewal area. The urban renewal includes the Water Expansion Project completed as of June 30, 2001 and the Parker/Palmer Street Project completed as of June 30, 2000. Urban Renewal Tax Increment Financing Revenue Notes were issued to finance the Street Project.

On January 10, 2000, the City established the Oakland Urban Renewal Area South. The objective of the plan is to encourage commercial development in this urban renewal area. The project includes the construction of a distribution facility of approximately 18,000 square feet to be used as a retail discount store. Once these improvements were completed the City agreed to make an Economic Development Grant to the Developer, Oakland Industrial Foundation, Inc. The Economic Development Urban Renewal Tax Increment Financing Revenue Notes were issued as a result of this project.

On May 5, 2001, the City established the Oakland Manor Urban Renewal Area. The project involves providing direct financial assistance to a developer to help finance the construction of an assisted living health care facility. The City intends to provide assistance in the form of property tax rebates. Under the proposal, 100% of the incremental property tax generated by the project will be rebated to the developer for a maximum of 5 years, from the time debt is first certified to the County. These rebates will not be general obligation of the City, but will be payable solely from incremental property taxes generated by the project.

NOTE 12 Grants
Chautauqua Park

The City has been awarded two grants for the Phase 1 & 2 renovation of Chautauqua Park. One grant was awarded by the Iowa Department of Transportation for \$75,000. The other was a 50% matching grant awarded by Iowa West Foundation with a maximum grant amount of \$350,000. The project consists of reclaiming wetlands, construction of a sports complex made up of a soccer field, baseball diamond, softball diamond, concession stand, trails, parking and lighting. The original estimated total costs of this project were approximately \$715,000. The total costs of the both projects were \$599,709. The City has received \$70,300 of the Iowa Department of Transportation grant and \$286,600 on the Iowa West Foundation grant. The City has also received \$67,525 in donations from private parties. These projects have been completed and the grants have been closed.

Entrance Signage

The City has been awarded a matching grant from Iowa West Foundation for an entrance sign project. The project includes the landscaping, lighting, and water tower logo. The original estimated total costs of the project were \$16,900. The total costs of the completed project were \$18,397. The City received \$8,757 on the closed Iowa West Grant and \$7,600 from private parties.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Schuman Park

On June 13, 2005, the City was awarded a 50/50 matching grant from the Community Improvements To Increase Economic Stability (CITIES) for an engineering study and a concept plan for re-development of Schuman Park into a residential subdivision. The estimated total cost of the project is \$8,000.

Wastewater Lagoon

On June 13, 2005, the City was awarded a 50/50 matching grant from the Community Improvements To Increase Economic Stability (CITIES) for the installation of approximately 2,250 tons of rip-rap on the City's wastewater lagoon to minimize erosion. The estimated total cost of the project is \$57,000.

NOTE 13 Garbage Collection Service Agreement

The City signed an Agreement on June 28, 2002 with M K Mills Tree Service, Inc. for the collection of garbage, rubbish, and recyclables. The contract runs from July 1, 2002 to June 30, 2007. The contracted amount per residential unit for up to six 32-gallon containers per week for the first two years is \$4.75 and \$5.00 for the remaining three years. The contracted amount for commercial and industrial and institutional premises with dumpsters is \$2.50 per yard per week for five years and \$.75 per unit per month for recyclables for five years.

NOTE 14 Atlantic Bottling Agreement

On May 26th, 2004, the City entered in to an agreement with the Atlantic Bottling Company. They agreed that the Atlantic Bottling Company will be the sole provider of soft drinks, new age products, juices and water for the Little League, Soccer, Swimming Pool, and all City owned locations through May of 2011. In return, Atlantic Bottling Company will pay for one of the scoreboards valued at \$3,358. Either party may terminate this agreement; however, in that event, the City agrees to pay back Atlantic Bottling Company for the scoreboard for the valued amount.

NOTE 15 Administrative Services Agreement

On July 1, 2004, the City entered in to an agreement with Select Benefit Administrators, Inc. for the purpose of establishing terms for a third party administrator of the City of Oakland's self funding split-funded benefit plan. The annual administration fee is \$300 and a monthly administrative fee per employee is \$6.50. The fees are subject to change by Select Benefit Administrators on July 1, 2005, and each year thereafter on the same date. There was no change to the fees on July 1, 2005 or July 1, 2006.

NOTE 16 MidAmerican Energy Company Ordinance

On December 12, 2004, the City passed an ordinance granting to MidAmerican Energy Company, its successors and assigns, the right and franchise to acquire , construct, erect, maintain and operate in the City of Oakland, a natural gas system and to furnish and sell natural gas to the City and its inhabitant's for a period of twenty five years.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 17

Subsequent Events

Law Enforcement Service Contract

The City renewed its Law Enforcement Services Contract with Pottawattamie County for the services of the Pottawattamie County Sheriff's Department as of July 1, 2005. The contract is payable in four installments of \$6,506 on July 1, 2005, October 1, 2005, January 1, 2006, and April 1, 2006.

Development Program

On July 11, 2005, the City approved a program within the existing urban renewal plan for housing and commercial development in cooperation with the Oakland Industrial Foundation. The total estimated tax increment financing expenditures under this program are \$115,000.

Lagoon Project

On July 11, 2005, the City approved bid on installation of rip-rap for the City's Lagoon project in the amount of \$52,898.

Pottawattamie County Decat Grant

On August 3, 2005, the City was awarded a grant in the amount of \$2,000 to defray the costs of constructing a sand volleyball court. The total cost of the project is estimated at \$2,740.

Street Project

On August 8, 2005, the City accepted bids from Henningsen Construction for paving projects in the amount of \$79,521.

Iowa West Foundation Grant

On August 12, 2005, the City was awarded a 50/50 matching grant for improvements to the Community Center. The estimated total cost of the project is \$50,000. This grant will expire on September 30, 2006.

Iowa West Foundation Grant – Library

On August 12, 2005, the Library (Discretely presented component unit) was awarded a 50/50 matching grant for the development of the library's youth collection. The total estimated cost of the project is \$20,000. This grant will expire on September 30, 2006.

CITY OF OAKLAND
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN BALANCES – BUDGET AND ACTUAL – CASH BASIS
ALL GOVERNMENTAL AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2005

	GOVERNMENTAL FUNDS	PROPRIETARY FUNDS		BUDGETED AMOUNTS		FINAL TO TOTAL
	ACTUAL	ACTUAL	TOTAL	ORIGINAL	FINAL	VARIANCE
RECEIPTS						
Property tax	\$ 157,113	0	157,113	150,397	150,397	6,716
Tax increment financing collections	150,589	0	150,589	139,195	139,195	11,394
Other city tax	147,404	0	147,404	177,212	170,000	(22,596)
Licenses and permits	4,473	0	4,473	1,700	1,700	2,773
Use of money and property	26,437	10,200	36,637	9,350	12,350	24,287
Intergovernmental	157,314	0	157,314	280,536	233,052	(75,738)
Charges for services	90,932	602,355	693,287	653,050	653,050	40,237
Miscellaneous	222,388	75,724	298,112	17,630	17,630	280,482
TOTAL RECEIPTS	\$ 956,650	688,279	1,644,929	1,429,070	1,377,374	267,555
DISBURSEMENTS						
Public safety	\$ 224,351	0	224,351	114,281	94,281	(130,070)
Public works	142,948	0	142,948	121,863	121,863	(21,085)
Culture and recreation	141,399	0	141,399	137,289	112,289	(29,110)
Community and economic development	18,943	0	18,943	75,600	75,600	56,657
General government	107,620	0	107,620	94,774	109,774	2,154
Debt service	117,296	0	117,296	18,211	18,211	(99,085)
Capital projects	128,233	0	128,233	102,835	169,985	41,752
Business type activities	0	571,654	571,654	574,166	604,166	32,512
TOTAL DISBURSEMENTS	\$ 880,790	571,654	1,452,444	1,239,019	1,306,169	(146,275)
EXCESS OF RECEIPTS OVER DISBURSEMENTS	\$ 75,860	116,625	192,485	190,051	71,205	(121,280)
OTHER FINANCING SOURCES, NET	\$ 67,000	0	67,000	0	0	(67,000)
EXCESS OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES	\$ 142,860	116,625	259,485	190,051	71,205	(188,280)
BALANCE BEGINNING OF YEAR	\$ 860,817	215,236	1,076,053	1,310,961	1,076,053	0
BALANCE END OF YEAR	\$ 1,003,677	331,861	1,335,538	1,501,012	1,147,258	(188,280)

See Accompanying Independent Auditors' Report

CITY OF OAKLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING
JUNE 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective difference resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$67,150. The budget amendment is reflected in the final budget amounts.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, and debt service functions.

CITY OF OAKLAND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

Schedule 1

	SPECIAL REV	CAPITAL PROJECTS		
	VOLUNTEER	CHAUTAUQUA		
	FIRE	PARK I		
	DEPT	GRANT	SIGNAGE	TOTAL
RECEIPTS				
Property tax	\$ 0	0	0	0
Other city tax	0	0	0	0
Use of money and property	73	0	0	73
Intergovernmental	0	0	0	0
Charges for services	2,239	0	0	2,239
Miscellaneous	30,970	0	16,257	47,227
TOTAL RECEIPTS	\$ 33,282	0	16,257	49,539
DISBURSEMENTS				
Public safety	\$ 23,272	0	0	23,272
Public works	0	0	0	0
Culture and recreation	0	0	0	0
General government	0	0	0	0
Debt service	0	0	0	0
Capital projects	0	10,051	18,014	28,065
TOTAL DISBURSEMENTS	\$ 23,272	10,051	18,014	51,337
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	\$ 10,010	(10,051)	(1,757)	(1,798)
OPERATING TRANSFERS IN (OUT)	\$ (373)	10,051	2,040	11,718
NET CHANGE IN CASH BALANCES	\$ 9,637	0	283	9,920
CASH BALANCE BEGINNING OF YEAR	\$ 7,611	0	(283)	7,328
CASH BALANCE END OF YEAR	\$ 17,248	0	0	17,248
CASH BASIS FUND BALANCES				
RESERVED				
Debt service	\$ 0	0	0	0
UNRESERVED				
Special revenue funds	\$ 17,248	0	0	17,248
Capital projects fund	0	0	0	0
TOTAL CASH BASIS FUND BALANCES	\$ 17,248	0	0	17,248

See Accompanying Independent Auditors' Report

CITY OF OAKLAND
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED JUNE 30, 2005

Schedule 2

OBLIGATION	DATE OF ISSUE	INTEREST RATES	AMOUNT ORIGINALLY ISSUED	BALANCE BEG OF YEAR	ISSUED DURING YEAR	REDEEMED DURING YEAR	BALANCE END OF YEAR	INTEREST PAID	INTEREST DUE AND UNPAID
REVENUE BONDS									
WATER	Nov 17, 1976	5.00%	\$ 700,000	365,250	0	41,000	324,250	19,250	0
GENERAL OBLIGATION CAPITAL NOTES									
TIF - STREET PROJECT	Oct 1, 1999	4.70%	\$ 325,000	215,000	0	30,000	185,000	11,008	0
FIRE TRUCK INSTALLMENT	Jan 3, 2000	6.00%	\$ 134,000	78,590	0	23,242	55,348	4,969	0
TIF - ECONOMIC DEVELOPMENT	Nov 1, 2000	5.10%-5.65%	\$ 120,000	100,000	0	10,000	90,000	5,460	0
AMBULANCE INSTALLMENT	Jul 28, 2004	5.75% var	\$ 67,000	0	67,000	29,599	37,401	3,018	0
LEASE PURCHASE AGREEMENT									
WATER EQUIPMENT	Oct 11, 1999	6.58%	\$ 34,900	2,699	0	2,699	0	37	0
				761,539	67,000	136,540	691,999	43,742	0

See Accompanying Independent Auditors' Report

CITY OF OAKLAND
BOND AND NOTE MATURITIES
JUNE 30, 2005

Schedule 3

GENERAL OBLIGATION BONDS AND NOTES					
YEAR ENDING JUNE 30,	FIRE TRUCK NOTE		AMBULANCE NOTE		
	Issued Jan 3, 2000		Issued Jul 28, 2004		
	INTEREST		INTEREST		
	RATES	AMOUNT	RATES	AMOUNT	TOTAL
2006	6.00%	16,501	7.75%	6,161	22,662
2007	6.00%	15,815	7.75%	6,635	22,450
2008	6.00%	16,791	7.75%	7,167	23,958
2009	6.00%	6,241	7.75%	7,743	13,984
2010			7.75%	8,365	8,365
2011			7.75%	1,330	1,330
TOTAL		\$ 55,348		\$ 37,401	\$ 83,054

URBAN RENEWAL TAX INCREMENT FINANCING (TIF) NOTES						REVENUE NOTES		
YEAR ENDING JUNE 30,	STREET PROJECT		ECONOMIC DEVELOPMENT			WATER		
	Issued Oct 1, 1999		Issued Nov 1, 2000			Issued Nov 17, 1976		
	INTEREST		INTEREST			INTEREST		
	RATES	AMOUNT	RATES	AMOUNT	TOTAL	RATES	AMOUNT	TOTAL
2006	5.00%	35,000	5.30%	10,000	45,000	5.00%	0	0
2007	5.10%	35,000	5.35%	10,000	45,000	5.00%	14,250	14,250
2008	5.15%	35,000	5.40%	10,000	45,000	5.00%	25,000	25,000
2009	5.20%	40,000	5.45%	15,000	55,000	5.00%	30,000	30,000
2010	5.30%	40,000	5.50%	15,000	55,000	5.00%	30,000	30,000
2011			5.60%	15,000	15,000	5.00%	35,000	35,000
2012			5.65%	15,000	15,000	5.00%	35,000	35,000
2013						5.00%	35,000	35,000
2014						5.00%	40,000	40,000
2015						5.00%	40,000	40,000
2016						5.00%	40,000	40,000
Total		\$ 185,000		\$ 90,000	\$ 275,000		\$ 324,250	\$ 324,250

See Accompanying Independent Auditors' Report

CITY OF OAKLAND
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST THREE YEARS

Schedule 4

	2005	2004	2003
RECEIPTS			
Property tax	\$ 157,113	166,357	163,958
Tax increment financing collections	150,589	146,147	132,078
Other city tax	147,404	147,628	138,291
Licenses and permits	4,473	1,905	2,129
Use of money and property	26,437	21,051	26,816
Intergovernmental	157,314	230,995	205,900
Charges for services	90,932	41,365	28,560
Miscellaneous	222,388	310,187	79,221
TOTAL RECEIPTS	\$ 956,650	1,065,635	776,953
DISBURSEMENTS			
Operating			
Public safety	\$ 224,351	93,077	106,640
Public works	142,948	143,553	128,123
Culture and recreation	141,399	167,362	158,924
Community and economic development	18,943	0	70,490
General government	107,620	106,769	116,275
Debt service	117,296	87,848	18,211
Capital projects	128,233	410,356	101,173
TOTAL DISBURSEMENTS	\$ 880,790	1,008,965	699,836

See Accompanying Independent Auditors' Report

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Independent Auditors' Report on Internal Control over Financial Reporting and
on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To The Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oakland, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated September 22, 2005. Our report expresses an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Oakland's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect City of Oakland's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-05 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Oakland's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior statutory comments have been resolved.

This report, a public record by law, is intended solely for the information of and use of the officials, employees and citizens of the City of Oakland and other parties to whom the City of Oakland may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Oakland during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

September 22, 2005

LANPHIER, VANDENBERG & KOLASINSKI, PC

CITY OF OAKLAND
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Part I: Summary of the Independent Auditors' Results

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-05 Segregation Of Duties

One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits, and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation:

City Records – We realize that with a limited number of office employees, segregation of duties is difficult. However, the addition of an assistant to the City Clerk offers many opportunities for segregation of duties. The City should continue to review its control procedures and maximize segregation of duties between the Clerk and Assistant where feasible.

Fire and Ambulance Records

The Fire and Ambulance records should continue to be recapped and reviewed by the Council in a timely monthly manner. In addition, we realize that segregation of duties in the departments is difficult. However, some segregation of duties would be obtained by having the bank reconciliation, recap and reporting done by a person not a signer on the bank account.

Library Records

We realize that with a limited number of library staff segregation of duties is difficult. However, some segregation of duties would be obtained by having the bank reconciliation, recap and reporting done by a person not a signer on the bank account.

CITY OF OAKLAND
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Response

We are continuing to implement procedures to maximize control.

Conclusion

Response acknowledged.

This is a prior year reportable condition.

Part III: Other Findings Related to Statutory Reporting

III-A-05 Official Depositories

A resolution naming official depositories has been approved by the City Council during the current fiscal year. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

III-B-05 Certified Budget

Disbursements during the year ended June 30, 2005, exceeded the amounts budgeted in the public safety, public works, culture and recreation, and debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation

The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. All debt service payments should be included in the debt service function in the City's budget. The Fire and Ambulance budgets should be included in the public safety function and the Library budget should be included in the culture and recreation function. Once included in the budget the actual disbursements should be reviewed on a timely basis.

Response

We will include all debt service payments in the proper function. We will also include all component units in the original budget and review all disbursements periodically in our budget process and the budget will be amended, if applicable. The excess disbursements in the public works function were incorrectly budgeted in the capital project function.

Conclusion – Response accepted.

III-C-05 Questionable Disbursements

No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-D-05 Travel Expense

No disbursements of City money for travel expenses of spouses of City Officials or employees were noted.

CITY OF OAKLAND
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

III-E-05 Business Transactions

There were no business transactions between the City and City Officials during the fiscal year.

III-F-05 Bond Coverage

Surety bond coverage of City Officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-G-05 Council Minutes

During the review of the minutes, it was noted that there were two instances that the Clerk did not sign the minutes.

Recommendation

The City should have both the Mayor and the Clerk sign all copies of the minutes.

Response

We will adopt this recommendation.

Conclusion

Response accepted.

III-H-05 Deposits and Investments

No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

III-I-05 Water Revenue Bonds

The City has established the sinking and reserve accounts required by the water revenue bond resolution.

III-J-05 Payment of General Obligation Notes

Certain general obligation notes were paid from the Enterprise, Water Operations, Special Revenue Fund – Fire Department and Special Revenue Fund – Ambulance Department. Chapter 384.4 of the Code of Iowa states in part that "Moneys pledged or available to service general obligation notes, and received from sources other than property tax, must be deposited in the Debt Service Fund."

Recommendation

The City should make operating transfers from the various funds to the Debt Service Fund. Payments of principal and interest on general obligation notes should then be disbursed from the Debt Service Fund.

Response

We will transfer in the future as recommended.

Conclusion

Response accepted.

CITY OF OAKLAND
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

III-K-05 Outstanding checks

We noted five old outstanding checks that did not clear by the end of the fiscal year. We also noted several extremely old outstanding checks in the Library's accounts.

Recommendation

The City and the Library should establish a policy to review and void old outstanding checks in a timely manner.

Response

We will adopt this recommendation.

Conclusion

Response accepted.

III-L-05 Policy on Internet Usage

The City has no formal written policy on internet usage for City Employees.

Recommendation

The City should add to its Personnel Manual a formal written policy regarding internet usage by City Employees.

Response

We will establish this policy.

Conclusion

Response accepted.

III-M-05 Evidence of review

During the testing of disbursement we noted no physical evidence of council review on the accounts payable invoices or the timesheets for payroll

Recommendation

All disbursements should have physical evidence of council review before the disbursement occurs.

Response

The City will implement this procedure.

Conclusion

Response accepted.

III-N-04 Signatory on accounts

We noted several instances of only one signatory on accounts or outdated representatives still being signatory on checking and certificate of deposit accounts. We noted this in the City, Fire, Ambulance and Library Accounts.

CITY OF OAKLAND
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

Recommendation

The City and component units should review the signatories on each account and update as appropriate.

Response

The City will review the signatories on each account and update as appropriate.

Conclusion

Response accepted.

III-O-04

Ambulance Note

During the review of the Ambulance note, we observed that the name of the corporation differed from the Articles of Incorporation and the use of the City's Federal ID Number.

Recommendation

The Fire and Ambulance Departments should review their Articles of Incorporation and Bylaws for any needed updates to the Name and Scope of Purpose and obtain a Federal ID Number.

Response

The Departments will review and update as appropriate.

Conclusion

Response accepted.

III-P-05

Sales Tax Refund

During the review of the capital projects, it was noted that the City did not file with the State of Iowa for sales tax refund on the Chautauqua Park project. This was due to not receiving the contractor statement from a particular contractor that the state requires to process this refund. An estimated amount for this sales tax refund was withheld from the contractors final pay request.

Recommendation

The City should obtain the contractor statement in order to properly file for the refund with the State of Iowa.

Response

We will attempt to obtain the contractor statement and file the proper refund.

Conclusion

Response accepted.

CITY OF OAKLAND
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2005

III-Q-05 Filing of payroll tax forms

During the review of payroll, it was noted that the Library did not file the several quarterly payroll tax forms when the forms were due. However, these forms were filed as of our report date.

Recommendation

The City should review the filings of the quarterly forms for correct filing dates.

Response

We became aware of the oversight and took action to correct the late filing.

Conclusion

Response accepted.